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Private fundraising: financial report for the year ended 31 December 2013

Summary

This document presents the financial results achieved by the UNICEF Private Fundraising and Partnerships Division (PFP) for the year ended 31 December 2013.

Total private sector revenue for the year was $1.26 billion, of which $70 million was from the sale of cards and products and $1.19 billion from fundraising and other revenue. After deducting the cost of sales for cards and products ($24 million) as well as PFP expenses ($110 million), the net PFP revenue was $1.13 billion. This was $198 million (21 per cent) more than the total planned target of $932 million and $227 million (25 per cent) more than the $903 million generated in 2012, and comprises $453 million of regular resources: $437 million from private fundraising; $16 million from sales of UNICEF cards and products; and $677 million from fundraising for other resources.

* E/ICEF/2014/14.

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Overview of the 2013 results

1. The Private Fundraising and Partnerships Division (PFP) coordinates all private fundraising and sales activities of UNICEF, manages strategic relationships with the National Committees for UNICEF, provides guidance for child rights advocacy activities in industrialized countries, and supports the organization's corporate partnership and engagement function.

2. Total private sector revenue for 2013 from fundraising and sales activities of 36 National Committees and 50 country offices was $1.26 billion. After deducting the cost of sales for the cards and products of $24 million as well as PFP expenses totalling $110 million, the net PFP revenue remaining was $1.13 billion. This was $198 million (21 per cent) more than the approved budget of $932 million.

Table 1

	National Committees PSFR & Other RR	*Other PSFR RR*	*Cards & Products Proceeds*	*Non-Cards & Products PFP expenses*	*Total RR*	*National Committees PSFR OR*	*Other PSFR OR*	*Total PSFR OR*	*Grand total*
	(In millions of United States dollars)								
Private Sector Revenue	503	15	70		588	575	102	677	1 265
Cost of sales			-24		-24				-24
PFP expenses			-29	-81	-110				-110
Net PFP revenue	**503**	**15**	**16**	**-81**	**453**	**575**	**102**	**677**	**1 130**

3. The PFP net revenue of $1.13 billion is comprised of $453 million for regular resources: $437 million from private fundraising; $16 million from sales of UNICEF cards and products; and $677 million from private fundraising for other resources.

4. PFP net revenue for 2013 compares as follows to the 2013 budget and 2012 actuals:

Table 2

	(In millions of United States dollars)		
	2013		*2012*
	Actual	*Budget*	*Actual*
Private fundraising — regular resources	437.2	412.6	426.6
Sale of UNICEF cards and products	16.1	7.4	17.5
Total regular resources net revenue	**453.3**	**420.0**	**444.1**
Private fundraising — other resources	677.0	512.0	459.0
Total net revenue	**1 130.3**	**932.0**	**903.1**

5. The total PFP net revenue was $227 million more than in 2012. This was primarily because contributions from private fundraising for other resources was $218 million (48 per cent) more than the $459 million raised the previous year. This is due to significant funding received for the Philippines emergency after a remarkable response from the private sector.

6. The increase in regular resources, which rose by $9 million, from $444 million in 2012 to $453 million in 2013, also contributed to the overall positive variance. This was offset by a decrease in the cards and products net income of $1 million, from $17 million in 2012 to $16 million in 2013.

Contributions from private fundraising — regular and other resources

7. Total contributions from private fundraising in 2013 (after deduction of National Committee expenses) were $1.19 billion ($514 million Private Fundraising Regular Resources and $677 million Private Fundraising Other Resources), compared to the budgeted $484 million regular resources and $512 million other resources, resulting in an overall positive variance of $195 million (20 per cent).

8. The better-than-budgeted performance in fundraising for regular resources was largely due to the strong performance of regular monthly giving (pledge), with a 14.3 per cent increase in the number of UNICEF pledge donors, rising from 3.1 million at the end of 2012 to 3.6 million by the end of 2013. This robust performance was delivered through the continued organizational focus on pledge, investment in pledge programmes and the development of new Pathways to Pledge techniques, such as giving via SMS/text message. UNICEF fundraisers were able to significantly increase the number of new donors while working hard to retain existing donors and increasing the average pledge amount.

9. As mentioned above, the fundraising results for other resources were more than budgeted, amounting to $677 million compared to the budgeted $512 million. Other resources for emergencies reached $195 million, 205 per cent higher than planned, primarily due to the generous private sector response to the Typhoon Haiyan emergency in the Philippines.

Sale of UNICEF cards and products

10. Overall, net revenue from sales and licensing of UNICEF cards and products was significantly better than budgeted, namely $16 million compared to the budget of $7 million. Gross proceeds continued to decline in 2013, but this loss was partially offset by lower than budgeted sales direct expenses; direct expenses were $22 million, compared to $32 million budgeted.

11. Gross proceeds from UNICEF cards and products sales include the following: (a) gross proceeds from the sale of UNICEF-supplied cards and products; (b) catalogue donations (contributions generated through PFP brochures and order forms); (c) royalty revenue, including all revenue received from licensed products; and (d) National Committee products, originating from the sale of products sourced by National Committees.

Table 3

	(In millions of United States dollars)						
				Increase decrease			
				2013 actual vs. budget		*2013 vs. 2012*	
	2013 Actual	*2013 Budget*	*2012 Actual*	*$*	*%*	*$*	*%*
Gross proceeds — cards and products	57.1	64.5	69.2	-7.4	-11.5	-12.1	-17.5
Catalogue donations	3.1	3.8	3.1	-0.7	-17.2	0.0	1.4
Royalties	4.1	7.3	5.3	-3.2	-43.7	-1.2	-22.5
National Committee products	5.3	3.1	3.1	2.2	71.2	2.2	71.2
Total	**69.6**	**78.7**	**80.7**	**-9.1**	**-11.6**	**-11.1**	**-13.7**

12 Gross proceeds from the sale of cards and products were $7 million (11.5 per cent) lower than budgeted. This lower-than-budgeted performance is a direct consequence of the discontinuation of sales activities of UNICEF-sourced products in 14 countries following the decision to phase out the in-house centralized cards and products operations. The decrease is in line with the industry trend of declining greeting card sales on a global basis. Royalties of $4 million were $3 million below budget, whereas proceeds from the sale of National Committee products increased by $2 million (71.2 per cent) compared to budget. This is primarily due to a change in reporting: the sale of goods sourced directly from licensees were budgeted for as royalties, but are now reported as National Committee products.

13. Compared to 2012, total gross proceeds from the sale of cards and products declined by $11 million (14 per cent), from $81 million in 2012 to $70 million in 2013. This was primarily due to a $12 million decline in the sale of UNICEF-sourced cards and products (for the reasons described above), although proceeds from National Committee products increased by $2 million to $5 million.

Table 4

	2013				*2012*		*2013*	*2013 vs. 2012*
	Actual	*%*	*Budget*	*%*	*Actual*	*%*	*Actual vs. Budget*	*Actual*
Gross proceeds	69.6	100	78.7	100	80.7	100	-11.6	-13.8
National Committees sales expenses	15.5	22.3	19.6	24.9	24.0	29.7	-20.9	-35.4
Net proceeds	**54.1**	**77.7**	**59.1**	**75.1**	**56.7**	**70.3**	**-8.5**	**-4.6**
PFP direct sales expenses	21.6	31.0	32.0	40.7	23.2	28.7	-32.5	-6.9
Investment funds — sales	0.2	0.3	1.3	1.7	0.6	0.7	-84.6	-66.7
Direct contribution from sales	32.3	46.4	25.8	32.8	32.9	40.8	25.2	1.8

14. Net proceeds from the sale of UNICEF cards and products were $5 million (8.5 per cent) below budget, due to the discontinuation of sales activities of

UNICEF-sourced products in 14 countries, as explained above. The net proceeds margin from National Committees improved from 70.3 per cent in 2012 to 77.7 per cent in 2013 (compared to 75.1 per cent budgeted). This is due to the fact that most National Committees exiting the UNICEF-sourced cards and products business in 2013 had already incurred one-off costs during 2012; the impact was therefore seen in the deterioration in net margins in that year.

15. The negative variance in net proceeds from the sale of cards and products was offset by cost savings in PFP sales direct expenses, which were $10 million (-32.5 per cent) lower than the approved budget of $32 million. Underspends in costs were due to (a) the $5 million (-35 per cent) variance in the cost of goods and inventory overhead as a result of the decrease in sales of UNICEF-sourced cards and products; (b) the $4 million (-31 per cent) variance in operations and support costs related to the cards and products business due to lower freight expenses achieved via the elimination of high-cost distribution channels, for example air freight, and (c) the $2 million (-38 per cent) variance in the actual costs of promotional materials.

Investment funds expenses

16. To enable PFP to mobilize resources more effectively through private fundraising and sales activities, the Executive Board in 2013 approved a budget of $37 million for investment fund allocations. These funds aim to increase the capacity of National Committees and UNICEF country offices to build a broader support base for raising funds from individuals and the corporate sector, and to test and evaluate new income-generating initiatives, focusing primarily on projects offering high rates of return. In 2013, the total expenses for investment funds were $41 million, compared with $38 million in 2012. The increase in the actual expense is due to the reallocation to investment funds of some of the savings in the costs of cards and products (see paragraph 15 above); this was done in order to leverage fundraising opportunities that existed following the response to the Philippines emergency. The funds were invested in 93 activities in 43 countries, whereas in 2012 investments were made in 119 activities in 44 countries. The investments in 2013 are expected to generate a return of over four dollars for every one invested, returning $157 million in gross revenue over the next three years. Of the total investment funds' expenses, $41 million was invested in fundraising development programmes, with over 94 per cent allocated to projects that support a growth in pledge. These included television advertising, face-to-face donor recruitment, and telephone marketing.

Indirect expenses

17. PFP indirect expenses totalled $52 million in 2013, $8 million (13 per cent) less than the approved budget of $60 million and $4 million (9 per cent) more than the 2012 total of $48 million. The underspend against budget was due mainly to (a) an underspend on PFP headquarters posts of $6 million due to the variance between standard costs and actual costs, and the vacancy of many posts that were deliberately not filled pending the realignment of functions and structure of PFP and confirmation regarding which posts or skills would be needed to achieve the planned results in the Private Fundraising and Partnerships Plan 2014-2017; (b) an underspend of $1 million for regional support centres that was mainly due to the unutilized budget allocated to posts; and (c) a $1 million positive variance on the

bad debt budget as a result of the reversal of amounts provided against in 2012 that were received in 2013.

Other PFP revenue

18. Other PFP revenue, from financial operations and from bank interest and other revenue from National Committees, was lower than budgeted ($4 million compared to the $9 million budget) due to the continued pressure on interest rates in most European countries.

PFP foreign exchange loss

19. In 2013, PFP had a total foreign exchange loss of $1 million, realized on settlement of prior year receivables relating to sales (in 2012 the exchange loss was $2 million). This was primarily due to the strengthening of currencies against the United States dollar at the time of the remittance of funds to UNICEF, compared to the exchange rates at the end of the year when the revenue was accrued.

Basis of preparation of PFP financial report

20. All revenue figures in this report are stated on an accruals basis.

Revenue and Expenses

(In millions of United States dollars)

	2013 Actual					2013 Budget					2012 Actual					Variance			
																2013 Actual vs 2013 Budget		2013 vs 2012 Actual	
	Cards and Products Sales	Private FR-RR	Total RR	Private FR-OR	Grand total 2013 actual	Cards and Products Sales	Private FR-RR	Total RR	Private FR-OR	Grand total 2013 budget	Cards and Products Sales	Private FR-RR	Total RR	Private FR-OR	Grand total 2012 actual	Amount	%	Amount	%
Operating revenues																			
Gross proceeds	69.6					78.7					80.7								
National Committees sales expenses	15.5					19.6					24.0								
Net proceeds	**54.1**	**514.1**	**568.2**	**677.0**	**1 245.2**	**59.1**	**483.9**	**543.0**	**512.0**	**1 055.0**	**56.7**	**494.6**	**551.3**	**459.0**	**1 010.3**	**190.2**	**18%**	**234.9**	**23%**
Direct expenses																			
Cost of goods and inventory overhead	8.4	–	8.4		8.4	13.0		13.0		13.0	7.6	–	7.6		7.6	(4.6)	-35%	0.8	11%
Operations and support	9.1	0.5	9.6		9.6	13.2	0.6	13.8		13.8	9.5	0.5	10.0		10.0	(4.2)	-30%	(0.4)	-4%
Promotional materials	2.6	–	2.6		2.6	4.2		4.2		4.2	4.5	–	4.5		4.5	(1.6)	-38%	(1.9)	-42%
Country office expenses	1.5	2.4	3.9		3.9	1.6	2.5	4.1		4.1	1.6	1.8	3.4		3.4	(0.2)	-5%	0.5	15%
Total direct expenses	**21.6**	**2.9**	**24.5**	**–**	**24.5**	**32.0**	**3.1**	**35.1**	**–**	**35.1**	**23.2**	**2.3**	**25.5**	**–**	**25.5**	**(10.6)**	**-30%**	**(1.0)**	**-4%**
Investment funds	0.2	41.0	41.2		41.2	1.3	36.1	37.4		37.4	0.6	37.8	38.4		38.4	3.8	10%	2.8	7%
Direct contribution from operations	**32.3**	**470.2**	**502.5**	**677.0**	**1 179.5**	**25.8**	**444.7**	**470.5**	**512.0**	**982.5**	**32.9**	**454.5**	**487.4**	**459.0**	**946.4**			**233.1**	**25%**
Indirect expenses																			
Director's Office, Communication, Corporate Social Responsibility	0.5	5.9	6.4		6.4	0.5	6.5	7.0		7.0	0.6	5.6	6.2		6.2	(0.6)	-9%	0.2	3%
Finance and administration	7.4	7.9	15.3		15.3	7.7	8.9	16.6		16.6	7.4	8.4	15.8		15.8	(1.3)	-8%	(0.5)	-3%
Marketing and Fundraising	5.8	16.0	21.8		21.8	8.3	16.2	24.5		24.5	5.8	13.9	19.7		19.7	(2.7)	-11%	2.1	11%
National Committee Relations	1.3	5.1	6.4		6.4	1.9	6.5	8.4		8.4	1.5	4.8	6.3		6.3	(2.0)	-24%	0.1	2%
Regional support centres	–	2.1	2.1		2.1	0.5	2.4	2.9		2.9	0.2	1.3	1.5		1.5	(0.8)	-28%	0.6	40%
Bad debts expense	(0.1)	–	(0.1)		(0.1)	0.5		0.5		0.5	(1.9)	–	(1.9)		(1.9)	(0.6)	-118%	1.8	-95%
Total indirect expenses	**15.0**	**37.0**	**51.9**	**–**	**51.9**	**19.4**	**40.5**	**59.9**	**–**	**59.9**	**13.6**	**34.0**	**47.6**	**–**	**47.6**	**(8.0)**	**-13%**	**4.3**	**9%**
PFP Revenue before non-operating items	**17.4**	**433.2**	**450.6**	**677.0**	**1 127.6**	**6.4**	**404.2**	**410.6**	**512.0**	**922.6**	**19.3**	**420.5**	**439.8**	**459.0**	**898.8**	**205.0**	**22%**	**228.8**	**25%**
Non-operating items																			
Other revenue	–	4.0	4.0		4.0	1.0	8.4	9.4		9.4	0.6	6.1	6.7		6.7	(5.4)	-57%	(2.7)	-40%
Foreign exchange gains (losses)	(1.3)	–	(1.3)		(1.3)					–	(2.4)	–	(2.4)		(2.4)	(1.3)			
PFP revenue after non-operating items	**16.1**	**437.2**	**453.3**	**677.0**	**1 130.3**	**7.4**	**412.6**	**420.0**	**512.0**	**933.0**	**17.5**	**426.6**	**444.1**	**459.0**	**903.1**	**198.3**	**21%**	**227.2**	**25%**

FR — fundraising RR — regular resources OR — other resources